



Federal Transit
Administration



Federal Transit Administration

Office of Engineering

Capital Cost Reviews

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With the passage of SAFETEA-LU.....

grantee cost estimates are

even more of a focus as

the legislation makes reference to

“increasingly reliable cost estimates”.

Source: ANPRM.. 2.2.1.4 Reliability of Forecasts
“...consider the reliability of the forecasting methods used to estimate costs.. “



The ANPRM posed questions on cost uncertainty

- (1) the soundness of cost-estimating procedures
- (2) comparisons of the cost estimates against peer projects, and
- (3) the track record of the project sponsor with cost estimates for previous transit projects.

**Source: ANPRM.. 2.2.1.4 Reliability of Forecasts
Page 29, January 11, 2006**



The ANPRM posed questions on the evaluation framework providing direct answers to several key questions including:

-What are its costs?
-What project is proposed in response?
-How well does it address the problem?
-Is it worth the investment?
-What are the trade-offs versus other alternatives?
-Where are the large uncertainties?

Source: ANPRM.. Page 18, January 11, 2006



The ANPRM posed questions on cost reliability....

21 . How might FTA incorporate measures of the reliability of forecasts into project evaluation?

22. How should information on the reliability of forecasts be modified or updated as a proposed project advances through project development?

23. How could FTA help to ensure that contingencies adequately reflect the uncertainties in project design, prices, and quantities at each stage of project development?

**Source: ANPRM.. 2.2.1.4 Reliability of Forecasts
Page 30, January 11, 2006**



The ANPRM posed questions for Preliminary Engineering....

33. Would definition of the preliminary engineering phase... better support the decision-making process for New Starts?
34. How might the Project Management Oversight process be designed to support the higher expectation regarding the results of preliminary engineering?
35. Does this approach significantly increase the cost of preliminary engineering? Cost shifting from final design?

Source: ANPRM.. Page 36, January 11, 2006



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The ANPRM posed questions with respect to New Starts funding share...

Section 5309(11)(3) as amended by SAFETEA-LU accords FTA the discretion to provide a higher percentage of New Starts funding than that requested by the project sponsor as an incentive to producing reliable cost estimates.

38. How would FTA implement this?

Source: ANPRM.. 2.3.5 New Starts Funding Share Incentives Page 36, January 11, 2006



What are the attributes of reliability?

- Consistency of the cost data,
- Support for the Cost data
- Correlation between the quantity data in the estimates and that established in design deliverables



PMO contractor deliverables: Review and characterize the grantee's estimate of project cost to determine:

1. Mechanically correct and complete,
2. Free of any material inaccuracies or incomplete data,
3. Consistent with relevant, identifiable industry or engineering practices,
4. Uniformly applied by the grantee's cost estimators and consistent in its method of calculation and
5. Consistent with the project scope adopted in the Record of Decision.



PMO contractor deliverables: Review and characterize the grantee's estimate of project cost to determine:

1. Nature of the data/estimate as being either
 - the product of unit cost and quantity,
 - cost estimating relationship "CER",
 - lump sum (sometimes referred to a "plug numbers")
2. Nature of the support for the data element, i.e. how was it derived.
3. Degree to which the definition of project scope corresponds to that contained or implied in the grantee cost data.



PMO contractor deliverables: Review and characterize the grantee's estimate of project cost to determine:

1. Certain contract package elements (such as Construction General Conditions) as to their requirements and associated construction contractor payment for such scope such as:
 - Elements for additional compensation;
 - Restrictive schedule or mobilization requirements;
 - Geotechnical data and pricing approach;
 - Allowed variability in unit pricing;
 - Support for grantee's general conditions cost estimate.



PMO contractor deliverables: Review and characterize the grantee's estimate of project cost to determine:

Uniformity in the grantee's escalation of costs from the base year, to the YOE\$,

Escalation factors used to estimate YOE\$ and

Soundness of the economic forecasts and escalation factors to be applied in the Project or Grant agreement Budget.



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Questions?





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